98TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 98-315

DISAPPROVAL OF EXTENSION OF WAIVER AUTHORITY UNDER THE TRADE ACT OF 1974 TO THE SOCIALIST REPUBLIC OF ROMANIA

JULY 26, 1983.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

ADVERSE REPORT

together with

DISSENTING VIEWS

[To accompany H. Res. 256]

The Committee on Ways and Means, to whom was referred the resolution (H. Res. 256) disapproving the President's recommendation to extend certain waiver authority under the Trade Act of 1974 with respect to Romania, having considered the same, report unfavorably thereon, and recommend that the resolution do not pass.

PURPOSE AND SUMMARY

House Resolution 256, introduced on June 30, 1982, would disapprove the recommendation of the President, transmitted to the Congress on June 3, 1983, to extend the waiver authority in section 402(c) of the Trade Act of 1974 with respect to the Socialist Republic of Romania for an additional 12 months.

Imports from the Socialist Republic of Romania are currently subject to column 1 (MFN) rates of duty under the Tariff Schedules of the United States (TSUS) effective on August 3, 1975, the date of implementation of the U.S.-Romania trade agreement. On November 24, 1975, the President designated Romania as a beneficiary developing country eligible to receive duty-free treatment, effective January 1, 1976, on imports of GSP-eligible items.

Enactment of House Resolution 256 would result in the discontinuance of MFN and GSP treatment for Romania and restoration of the generally higher column 2 rates of duty under the TSUS applicable to non-MFN countries. In addition, Romania would no longer be eligible for Government credits or investment guarantees.

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The United States-Romania bilateral trade agreement first took effect in August 1975, following passage by both Houses of Congress of a concurrent resolution approving the extension of nondiscriminatory (MFN) treatment to imported products from Romania under the waiver provisions of title IV of the Trade Act of 1974. Section 402 of the act prohibits the granting of MFN treatment, Government credits or investment guarantees, or the negotiation of a commercial agreement with any communist country if that country does not allow its citizens the freedom to emigrate. Section 402 also permits the President to waive this prohibition for a limited period of time (subject to annual renewal) if he determines that doing so will promote freedom of emigration.

The President's authority to waive the emigration requirements of section 402 has been renewed in each of the seven years following the initial granting of MFN to Romania. The first renewal of the President's waiver authority—in the fall of 1975—took place by operation of law. On June 2, 1976, the President recommended to the Congress that the authority be extended for a 12-month period. The Congress had the option to act affirmatively to extend or terminate the authority, or to permit by inaction the extension of the authority. Since both Houses failed to take affirmative action either prior to the termination date of the initial grant of authority (July 3, 1976) or within 60 days following the termination date, and since neither House passed a resolution disapproving the President's recommendation within the 45 days following the 60-day period (i.e., on or before October 15, 1976), the authority automatically extended until July 3, 1977. The Subcommittee on Trade held a hearing on September 14, 1976, on the President's request for renewal of the waiver authority, but took no further action.

In 1977, the President recommended a further 1-year extension of the waiver authority and its application to Romania. A resolution of disapproval was introduced in the House, but the House tabled the resoluton on August 3, 1977.

In 1978, the President recommended to the Congress a further 1-year extension of the waiver authority and its application to Romania and Hungary. Although products of Hungary did not benefit from MFN tariff treatment at that time, the President had transmitted to the Congress the text of the U.S.-Hungarian Trade Agreement for its approval. No disapproval resolution was passed by either the House or the Senate within the statutory period, and MFN extended by operation of law until July 3, 1979.

In 1979, the President recommended to the Congress a further 1-year extension of the waiver authority and its application to Romania and Hungary. A resolution disapproving the extension of the waiver authority with respect to Romania was introduced in mid-June. The full Committee on Ways and Means reported the resolution unfavorably, and the House failed to pass the disapproval resolution by a vote of 126-271.

In 1980, the President recommended to the Congress a further extension of the waiver authority and its application to Romania, Hungary, and China. On August 22, 1980, Congressma Richard Schulze troduced H. Res. 775 to disapprove the extension of the waiver authority to Romania. No action was taken on that resolution.

On June 2, 1982, the President recommended to the Congress a further 1-year extension of waiver authority and its application to Romania, Hungary, and China. On July 13, Congressman Robert K. Dornan introduced H. Res. 521 disapproving the extension of the waiver authority to Romania. On August 12, 1982, the Committee on Ways and Means reported the resolution adversely, and the House tabled the resolution on August 18, 1982.

On June 3, 1983, the President recommended to the Congress a further 1-year extension of the waiver authority and its application to Romania, Hungary, and the PRC. The President's recommendation with regard to Romania was based on assurances provided by the Romanian Government that it will no longer require reimbursement to the State of education costs as a precondition to emigration, and that it will not create economic or procedural barriers to emigration. On March 4, 1983, the President had announced his intention to terminate MFN status for Romania, effective June 30, 1983, if the tax had still been in force.

On June 30, 1983, Congessman Philip M. Crane introduced H. Res. 256, a resolution disapproving the extension of the waiver authority recommended by the President with respect to Romania. Under the special expedited procedures of section 152(d) of the Trade Act of 1974, a motion to proceed to Floor consideration of the resolution is highly privileged and not debatable. The 60-day period for House consideration of House Resolution 256 expires on September 1, 1983.

COMMITTEE ACTION

The Subcommittee on Trade held public hearings on July 14, 1983, on the continuation of MFN tariff treatment to the products of Romania and Hungary and the People's Republic of China. The Subcommittee received testimony from Administration officials, cultural and religious associations, corporations and private citizens in favor of continued MFN as necessary to improve economic and political relations with Romania. Representatives of human rights organizations, religious organizations and cultural organizations conditionally favored extension of MFN. The conditions varied widely, e.g., emigration approval for particular cases, release of certain prisoners from jail, and improved treatment of the Hungarian minority in Romania. Several human rights, religious, and cultural groups, individuals, as well as Congressman McDonald opposed extension.

On July 20, 1983, the Subcommittee on Trade ordered House Resolution 256 reported unfavorably to the Committee on Ways and Means by voice vote. On July 26, 1983, the Committee ordered House Resolution 256 reported unfavorably by voice vote.

GENERAL STATEMENT

Emigration

In reporting House Resolution 256. the Committee on Ways and Means is very much aware of, and takes seriously its obligations under the Trade Act to monitor closely the Romanian emigration situation. In carrying out this obligation, the Members of the Committee and staff have met periodically with senior Executive Branch officials, representatives of private interests, and Romanian Embassy officials

to review developments. The Subcommittee has held public hearings each year since 1976 to review Romanian emigation and trade performance.

Since Romania was granted most-favored-nation trading status in 1975, emigration from Romania to the U.S. increased from a low of 890 in 1975 to 2,886 in 1980, then declined somewhat to 2,352 in 1981 and totaled 2,381 in 1982. The 1982 figure does not accurately represent Romanian performance regarding emigration since according to official Romanian data 4,013 people received permission to emigrate to the U.S. that year. The U.S., however, was not in a position to promptly issue immigrant visas or otherwise receive all of those who were granted exit documentation by the Romanian Government. The rate of issuance of immigrant visas and other such documentation for the U.S. through May, 1983, has been slightly higher than for the same period in 1982.

While no figures for legal emigration from Romania to the Federal Republic of Germany are available for years prior to 1975, the number of such emigrants since then has fluctuated from a low of 4,085 in 1975 to a high of 12,946 in 1980. The total number of emigrants to the Federal Republic of Germany from Romania from 1975 through 1982 was 66,937. The 11,546 emigrants to the Federal Republic of Germany in 1982 represented the highest number for any year other than 1980, an increase of 34 percent over the 1981 total. The average rate of emigration from Romania to the Federal Republic of Germany for the first five months of 1983 has exceeded 1,000 people per month.

Emigration from Romania to Israel, which has totaled over 250,000 since Israel's independence in 1948 and over 350,000 since the end of World War II, remains below the levels existing before the extension of MFN. However, emigration to Israel increased by 46 percent from 1981, when there were 1,012 emigrants, to 1982, when the total was 1,474. The rate of immigrant visa issuance by the Israeli Embassy in Bucharest through May, 1983, is over 50 percent higher than for the same period in 1982, when the largest number of emigrants since 1975 left for Israel. In his recommendation for renewal of MFN treatment for Romania for 1983, President Reagan said he would continue to monitor Jewish emigration to Israel closely. It is anticipated that emigration to Israel will be maintained at least at the 1982 level. However, any evaluation of statistics on emigration to Israel should take into account the relatively small size of the Jewish community remaining in Romania (now estimated at somewhat over 30,000) and the fact that a large percentage of that community is comprised of elderly people who may not wish to emigrate. Nevertheless, a sizable backlog of Romanian Jews seeking to emigrate to Israel remains. As of March 1983, over 1,000 Jews had applications pending for emigration to Israel, according to information provided by Rabbi Rosen, the Chief Rabbi of Romania.

U.S.-Romanian trade performance

U.S.-Romania trade fell sharply from over $1 billion in 1981 to $571.6 million in 1982. U.S. exports, which reached a peak of $722 million in 1980, declined from $504 million to $224 million; U.S. imports declined from an all-time high of $561 million in 1981 to $348

million last year. The dramatic drop in the 1982 figures reflects Romania's lack of access to hard-currency financing, the effects of global recession on trade and Romanian austerity measures, including a severe curtailment of hard-currency imports.

The 55 percent decline in U.S. exports from 1981 to 1982 primarily affected agricultural sales, which were only $45 million in 1982—down from the 1981 and 1980 levels by about $300 million. This resulted from both the Romanian austerity program and a record crop year in that country. U.S. exports to Romania of manufactured goods showed no significant change from $51.7 million in 1981 to $50.7 million in 1982. In light of Romania's sharp curtailment of general imports, this indicates a fundamental strength of American manufactures in that market. U.S. exports of crude materials and fuels taken together also increased in 1982 over 1981 from $116 million to $126 million.

For the majority of years in the past decade, the United States has run considerable surpluses in its trade with Romania. In 1982, Romania enjoyed a surplus in trade with the United States of $124 million, due in large part to Romania's inability to finance its U.S. imports. In addition, Romania was forced to use its earnings from exports to the U.S. to repay its financial obligations to the U.S. Government, private banks, and commercial suppliers.

Conclusion

The Committee is of the view that extension of MFN trading status for Romania for another year is important to continued development and improvement of United States economic and political relations with Romania.

It is the understanding of the Committee from correspondence received from the Embassy of Romania in Washington that applications for emigration from Romania are processed in a period not longer than 6 months. Further, the Embassy reports that applicants for emigration are not subjected to any kind of discrimination, nor are they dismissed from the practice of their professions.

It is also the understanding of the Committee that the President has received assurances from the Socialist Republic of Romania that it will no longer require reimbursement to the State of education costs as a precondition to emigration, as has been required under the decree of November 1, 1982, and that it will not create economic or procedural barriers to emigration.

The Committee will continue to monitor the implementation of these assurances carefully during the next year. The Committee would not wish to see any deterioration in the progress that has been made to date by Romania in improving emigration procedures and performance. Further, a reimposition of the education repayment decree, or similar measure, would clearly conflict in the view of the Committee, with the letter and spirit of section 402 of the Trade Act of 1974.

DISSENTING VIEWS OF MR. CRANE

Despite the apparent satisfaction of some of the members of this committee with the President's statement requesting an extension of Most Favored Nation (MFN) trade status to the communist countries of the Peoples' Republic of China (PRC), Romania and Hungary, I must question the wisdom and appropriateness of the decision to accept that view. I am opposed to extending MFN privileges to the three nations in question.

It is foolish for the United States government to force the taxpayer to provide what amounts to a subsidy for nations which oppose us and our policies. The governments of these countries are totalitarian and engage in all the attendant repressions of freedom and basic human rights. Although their internal policies differ slightly, each violates all of the conditions which Congress complains certain developing nations abuse.

MFN status should be reserved to those nations that share our belief in basic economic and personal freedoms. Such nations are, by definition, not communist. Each of the nations addressed by the resolutions of disapproval, by their actions, do not ascribe to the basic principles of human rights. Hungary and Romania are both members of the Warsaw Pact and as such provide troops and material to oppose our allies and support the goals of the Soviet Union. Favorable credit and trade with them can only mean that our financial resources are used to assist the Soviet Bloc. This is clearly contrary to our interests. It frees the Soviet Union of an economic burden and provides eastern Bloc nations with much-needed foreign exchange. Goods of totalitarian regimes are given access to and given an unfair competitive edge over those of the free-market economies.

The People's Republic of China (PRC) has recently warmed to the United States, but the reason seems obvious. They are fearful of the Soviet Union and desperately need to modernize and improve their economy. But we cannot lose sight of communist China's dismal record on human rights. In the last 30 years, the Chinese government has executed 34–66 million Chinese citizens. The government arbitrarily hands out death sentences for "counter-revolutionary" offenses. Chinese authorities continue to use "re-education-through-labor" as a form of detention without trial. In their zeal to reduce the population, some local officials in the provinces have abetted heinous human rights violations. Accounts have alleged cases of forced abortions, infanticide, detention, and psychological pressure to regulate the daily lives of their populace. Can the United States, in good conscience, grant Most Favored Nation status to this nation which oppresses, terrorizes, and murders its own citizens? MFN status is a privilege that the PRC, if it continues to repress its people, can never earn.

It is time for this Congress to examine the reasonableness of what we are doing when we consider whether or not we will grant special trade benefits and guarantees to communist countries. These special concessions should only be granted to our friends—to those who believe, with us, in a market economy, in a representative government—freely chosen, and above all, for those who respect the primary dignity and value of the individual.

The granting of economic aid to the People's Republic of China, Hungary, and Romania at the expense of the American wage earner is simply beyond logic. These are governments undeniably ruthless in the treatment of their own citizens—and contemptuous of human rights. Let us not make the mistake of becoming accomplices in these illicit practices by granting these governments special economic concession through MFN.

PHIL CRANE.

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